

**Permission to Issue Baht-denominated Bonds or Debentures
by Foreign Entities in Thailand**

As a strategy to develop domestic bond market as a regional source of funding, the Minister of Finance had issued the Notifications to permit the International Financial Institutions, the Foreign Governments and Financial Institutions of Foreign Governments to issue Baht-denominated bonds or debentures in Thailand on April 21, 2004 and May 25, 2004, respectively.

To further promote the development of the bond market, on April 11, 2006, the Minister of Finance issued the Notification: Permission to Issue Baht-denominated Bonds or Debentures in Thailand, which stipulates rules for the foreign entities to issue Baht-denominated bonds or debentures, and can be summarised as follows:

1. The eligible entities are the international financial institutions established by conventions whether Thailand is a member or not, foreign governments or financial institutions of foreign government established by a specific law and the juristic persons established by laws of the ASEAN+3 countries or any countries, which the Minister of Finance deems appropriate.

2. The tenure of the bond or debenture shall not be less than three (3) years.

3. The conditions under the new Notification shall apply to all bonds or debentures requested for approval from April 11, 2006. However, the bonds or debentures that have been requested, approved for issuance and issued prior to this Notification will continue to be subject to the conditions stipulated under the Notification dated April 21, 2004 and May 25, 2004.

It is expected that by allowing foreign entities to issue the Baht-denominated bonds or debentures in the domestic market will further promote the diversity of products and provide greater choice to the investors as well as develop market infrastructure in support of the Asian Bond Market Initiative. This will enhance the Thai bond market as the regional source of funding in future.

Ministry of Finance Notification

Permission to Issue Baht-denominated Bonds or Debentures in Thailand

As the key strategies to develop the bond market in Thailand as a regional source of funding, the Ministry of Finance has endeavoured to diversify bond products, expand the issuers and investors base in the Baht-denominated bonds or debentures in Thailand and develop market infrastructure in support of the Asian Bond Market framework. In addition, the Securities and Exchange Commission has announced the disclosure requirements for the sale of Baht-denominated bonds or debentures issued by foreign entities in Thailand, which required the issuers to follow the conditions as stipulated and permitted by the Ministry of Finance.

The Minister of Finance thus announces the rules for the issuance of Baht-denominated bonds or debentures as follows:

Clause 1. The following Notifications shall be repealed:

- (1) The Minister of Finance Notification: Permission to International Financial Institutions to Issue Baht Bonds in Thailand dated 21 April 2004,
- (2) The Minister of Finance Notification: Permission to Foreign Governments and Financial Institutions of Foreign Governments to Issue Baht Bonds or Debentures in Thailand dated 25 May 2004.

Clause 2. In this Notification:

“Commission” means the Securities and Exchange Commission

“Office” means the Office of Securities and Exchange Commission

“Grantee” means applicant that has been granted the permission to issue Baht-denominated bonds or debentures pursuant to this Notification

“Minister” means the Minister of Finance

Clause 3. Eligible Applicants

Eligible applicants for the permission to issue Baht-denominated bonds or debentures are as follows:

- (1) International financial institutions established by conventions whether Thailand is a member or not,
- (2) Foreign governments or financial institutions of foreign government established by a specific law, and
- (3) Juristic person established under foreign law.

“Foreign” in (2) and (3) means member countries of the Association of Southeast Asian Nations, Japan, the Republic of Korea, the People’s Republic of China, and other countries, which the Minister deems appropriate.

Clause 4. Application Submission

The prospective applicant shall seek approval from the Minister by submitting a written application. Such application must include the following information:

- (1) Objectives,
- (2) Type of issue(s) and tenure(s),
- (3) Amount of bonds or debentures,
- (4) Placement strategies,
- (5) Timing of the issuance,
- (6) Use of the proceeds received from issuance,
- (7) Currency swap transaction (if any),
- (8) Credit rating of
 - (i) Applicant, or
 - (ii) Guarantor(s), or
 - (iii) Bond(s) or debenture(s) to be issued,
- (9) Collateral (if any).

The applicant has to provide the evidence to certify its capacity to issue the bonds or debentures, for examples, the establishing law or the article of association, and other related documents as may be requested by the Minister.

Clause 5. Tenure

The tenure of the bonds or debentures shall not be less than three (3) years. The bonds or debentures can have the following options:

- (1) Call option,
- (2) Put option.

The option in (1) or (2) must not result in the maturity of bonds or debentures to be less than 3 years.

Clause 6. Amount

The amount of bonds or debentures issued by the Grantee shall not exceed the amount approved pursuant to this Notification.

Clause 7. Rating

The Grantee or the guarantor or the bond or the debenture to be issued shall acquire the rating by a credit rating agency approved by the Office. Such rating shall be approved by the Ministry of Finance.

Clause 8. Applicable Laws and Applicable Jurisdiction

The Grantee shall include in the terms and conditions of the bond or debenture approved pursuant to this Notification a stipulation that such terms and conditions are subject to the laws of the Kingdom of Thailand, and that any legal proceedings related to such bond or debenture be subject to Thai court unless the Minister has approved otherwise.

Clause 9. Waiver of Immunity

If a Grantee has acquired or will acquire immunity from the legal proceedings or enforcements, the said Grantee shall make a stipulation in the terms and conditions of the bond or debenture or take necessary actions to waive such immunity except immunity in respect of following property that the Grantee may decide not to waive:

(1) Property used by a diplomatic or consular missions in Thailand,

(2) Property of a military character, and

(3) Property located in its territory and dedicated to public or governmental use as distinguished from the property dedicated to commercial use.

Clause 10. Disclosure of Information

The Grantee must comply with the regulations on disclosure of information for securities offerings pursuant to the Securities and Exchange law(s) and the notifications prescribed by the Commission.

Clause 11. Bond or Debenture Holder Representative

The Grantee shall appoint the bond or debenture holder representative in Thailand for the benefit of the bond or debenture holders.

Clause 12. Contact Person in Thailand

The Grantee shall appoint a representative in Thailand to act as a contact person during the tenure of bond or debenture in order to receive letters, orders, notices, and documents, or to contact the relevant authorities related to the issuance of bonds or debentures in the Kingdom of Thailand.

The Grantee shall promptly inform the Office if there is any change in the appointment of the representative.

Clause 13. Registrar

The Grantee shall appoint Thailand Securities Depository Company Limited, or other registrar designated by the Minister, to be the registrar of the bond or debenture.

Clause 14. Registration

The Grantee shall have their bonds or debentures registered with the Thai Bond Market Association established under the Securities and Exchange law.

Clause 15. Updates of Disclosure Information

The issuers shall update the information in their registration statement:

- (1) Within 180 days from the end of each fiscal year or financial year,
- (2) Immediately when the financial status of such issuers is materially affected.

The issuers shall submit such updates to the Office.

Clause 16. Duties under Other Related Laws

The Grantee has the duties including seeking approval for the use of the proceeds received from the issuances of Baht-denominated bonds or debentures; tax liability and tax withholding; and other duties pursuant to the laws, regulations or rules of related authorities.

Clause 17. Determination of the Issuers' Right and Duties

The duties of the Grantee specified in Clauses 11., 12., and 15. shall be included in the terms and conditions stating the rights and duties of the bond or debenture issuer and bond or debenture holders, as well as any other terms and conditions that the Minister determined as conditions of approval.

Clause 18. Uses for Liquidity and Legal Reserves, and Repurchase with the Bank of Thailand Transactions

The uses of bonds or debentures for liquidity and legal reserves, and repurchase with the Bank of Thailand transactions shall comply with the laws, regulations or rules of the related authorities.

Clause 19. Transitional Provision

The application, the approval and the issuance of Baht-denominated bonds or debentures that have proceeded before this Notification becomes effective shall comply with the Notifications that were enforced at the time of the application, approval and issuance of such bonds or debentures.

This notification shall become effective from the date hereof.

Announced on 11 April 2006

Thanong Bidaya

Minister of Finance
